

**City Light Advisory Board Meeting
May 4, 2004, 8:30 – 11:45 a.m.
Boards & Commissions Conference Room
MEETING SUMMARY**

Board members present: Jay Lapin, Randy Hardy, Sara Patton, Carol Arnold

Also present: Ingrid Rasch (Rates Advisory Committee), Jorge Carrasco (Superintendent City Light), Joan Walters, Alice Ekman (City Light), Carol Butler (Legislative), Thomas Dunlap, (Department of Finance), Alec Fiskien, Julie Tobin (Office of Policy & Management)

Superintendents Update

- To date 2004 has been a dry year with Boundary and Skagit at less than usual snow pack/water levels. Less flow means less power and less revenue. City Light is in the process of completing an impact report to send out later today.
- The results of the employee opinion survey will be rolled out this week and will be communicated to employees, along with an outline of a responsive action plan. The Board was invited to the rollout session on May 5. The survey is consistent with the Board's high performance organization recommendations.
- City Light staff met with representatives from Standard & Poors. Among other issues, the City Light governance process was discussed and the Superintendent gave them copies of the Board's report. The meeting went well, and the hope is that the rating agency will consider lifting the current negative outlook.

City Light Organizational Priorities/Workplan

The Superintendent distributed the draft City Light 2004-6 Organizational Priorities and Workplan. Once finalized, the priorities will be incorporated in City Light's employee performance plans and the Superintendent's accountability agreement with the Mayor. The Superintendent asked the Board to give him their reactions by the next meeting. Is there anything missing? Are there items that need more focus in 2004? The Board committed to review the document with a special focus on their own work program areas and will bring their comments to the June Board meeting for a more extensive discussion. Some of the City Light workplan items, such as development of a position on regional transmission, are on a fast track and Randy Hardy and Sara Patton would like to share some of the perspectives they have developed with City Light staff prior to the June Board meeting.

The Board asked the Superintendent to recommend a process on how they can stay abreast of developments taking place in the organization. For example, the rate and revenue requirements need to be set within months and have a direct impact on whether the Board's recommendations are going to be implemented. The Superintendent has assigned Joan Walters as the City Light point person to track agenda items and work with the Board, Mayor and Council. Alice Ekman, City Light, will also be attending Board meetings and assisting in this effort.

Interagency Projects/Capital Improvement Project Costs Presentation by Betty Tobin, Acting Deputy of Distribution Branch and Chris Larsen, Manager of Distribution Program Management (See handout)

The Board reiterated that enterprise funds should be used appropriately and voiced a concern that City Light will be looking at huge increases in CIP, labor and workload to deal with the large amount of projects scheduled to occur at same time. To further address the question of "What is City Light's legal obligation to incur costs when the utility has no costs earmarked for interagency/CIP projects", the Board requested that City Light provide them with a list of payments, by category and order of magnitude, that City Light makes every year to the City for City initiated projects. The list should go beyond large transportation projects and include South Lake Union and other minor transportation projects. The Board may make a recommendation on developing a policy to the City for a process and criteria for these various assessments. Jay Lapin will take the lead with assistance from Carol Arnold.

Future Role of BPA Presentation by Jim Harding (See handout)

The Board would like to have further discussion on this issue. Sara Patton and Randy Hardy will work with Jim Harding on current City Light policy and bring a recommendation to the next meeting. The Mayor and Council are interested in regional issues, and the Superintendent should keep the Mayor informed and involve him where necessary. In order to assist with these issues the Board asked that City Light provide them with the 3-5 issues in a sound bite format that can be easily digested, so that they can communicate with clarity on the subject.

Rates Advisory Committee Meeting

The City Council has an aggressive schedule for the rates policy ordinance review. The Rates Advisory Committee has refocused efforts on six issues to do with rate design and is coordinating their schedule with the Council schedule.

Council's, Mayor's and City Light's Timetables for 2004-05 Rate Process

Carol Butler communicated that the City Council process is very general, not detailed and that Council has asked Alec Fiskien to communicate any issues to the Mayor. Council will leave disputed items out of the resolution. Joan Walters will assist with the communication and coordination. The Board commented that City Light would be better served by a joint rate resolution with agreement up front on any significant changes and that they are willing to assist in enhancing a joint process.

Process to Amend Financial Policies

The objective is to amend the financial policy to adopt the Board's recommendations on debt ratio and emergency cash reserves; avoid dilution of existing financial policy and conduct a rational and efficient rate process for 2004-05 – improving coordination between OPM, Council and City Light and minimizing distraction of City Light resources from strategic planning, IRP and other high performance organization initiatives. Jay Lapin will have further discussion with Joan Walters and Alec Fiskien prior to developing a proposal and will bring a modified recommendation to the next Board meeting.

Developing and Launching Outside Consultant Best Practice Study of Municipal Oversight/Control of Public Utilities

The Best Practices Study would identify ways to enhance the City's oversight and control systems for City Light. A working team led by Jay Lapin will develop the project scope and RFP. The goal would be to have the consultant report by the end of the year in order to assist the Board's recommendations on utility oversight. All board members are in the ad hoc working group. Jay Lapin will report back to the Board at the next meeting.

Report on Municipal League Briefing

Jay Lapin and Sara Patton met with the Municipal League Energy Committee who gave positive feedback on the Board's report. The League is very supportive of the Board's work and is also inclined to be strong on no rate decrease.

New Board member status

Councilmember Godden's office received 40-50 names and has completed the initial review process. Interested applicants are being asked to submit a resume. Council will ask for the Board's input on the final list. The goal is to get final approval before end of May.

June Advisory Board Meeting (Julie Tobin is rescheduling meeting date)

1. Superintendents Report (30 minutes)

Board response to the "Organizational Priorities" document. (2 hours)

All

- Identify missing issues, problems with dates, etc.
- Develop strategy for Board participation and involvement.

2. Report on and recommend what action (if any) the Board should take regarding:

- BPA resource issue
- Regional transmission entity

Randy Hardy &
Sara Patton

3. Report on Klamath mini-IRP process -

Randy Hardy/Sara Patton

4. Report on process and procedures for amending Financial Policy

Jay Lapin

5. Present refined statement of scope for governance study

Jay Lapin

6. Report schedule for outreach activities

Carol Arnold/Sara Patton

7. Report on developments in rate process

Carol Arnold

This is to be an extended meeting from 8:30 am to 1:30 pm. Lunch will be served.

Summary of other follow up Items

- List of payments by category and order of magnitude that City Light makes every year to the City for City initiated projects. The list should go beyond large transportation projects and include South Lake Union and other minor transportation projects. **Carol Everson, City Light**
- BPA resource issue - 3-to 5 issues in a sound bite format, so that the Board can communicate with clarity on the subject. **Jim Harding, City Light**